

Crisis of Long-Term Unemployment is Far From Over Now Reaching Most Segments of the Labor Market

By

National Employment Law Project

The rise in long-term joblessness shows no signs of subsiding, now reaching nearly all segments of society including professional and college-educated workers. Those who are unemployed and still looking for work after six months account for one-fifth (19.8%) of the nation's jobless as of January 2003, up from 14% one year earlier and 11.2% when the recession began in March 2001. While consistent with prior recessions, the increase in long-term joblessness contrasts conspicuously with the absence of federal policies that respond proportionately to the severity of the problem.

Most notably, Congress and the President failed to enact legislation in January that would have provided additional extended unemployment benefits to those workers who reached the maximum 13-weeks available under the federal program. By comparison, the program enacted during the recession of the 1990s provided a minimum of 20 to 26 weeks of extended benefits for a 14-month period. In addition, the extension continued for 29 months, compared with the current program that is schedule to expire in May after operating for just 15 months.

Instead of expanding the extended benefits program, the Administration's budget proposes "personal reemployment accounts" (PRA), an initiative that would provide "reemployment bonuses" and other services for workers to find work more quickly. However, the empirical research on reemployment bonuses and other key elements of the program raise serious concerns about their effectiveness, especially now when long-term joblessness keeps rising and limited jobs are being created.

What follows is an analysis of the latest figures documenting the steady rise in long-term joblessness, the impact of long-term unemployment across different segments of the labor market, the significant increase in the number of workers who are now exhausting their state unemployment benefits, and the vast numbers of those left without any extended unemployment benefits as a result of the limited federal program. The analysis was prepared to help call attention to the depth of the problem of long-term joblessness and the urgent need for more adequate federal policy initiatives.

Long-Term Unemployment Keeps Rising Compared with the Past Recession

Long-term unemployment stands out as one of the most severe consequences of today's economic slowdown, which speaks to the current scarcity of available jobs. According to the latest monthly figures for January 2003, one-fifth (19.8%) of all unemployed workers were still looking for work after six months, which comes to 1.68 million workers.

To better appreciate the historical significance of these latest figures, it is helpful to also look at the yearly averages looking back at long-term unemployment during the last recession. These data provide additional evidence that the nation is in the midst of another "jobless recovery," where long-term unemployment will continue to rise for a considerable period of time.

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- The number of workers unemployed for more than six months grew from an average of 650,000 in 2000 to an average of over 1.5 million in 2002.
- By comparison, while the overall unemployment rate grew substantially by 46% during this same time period, long-term joblessness increased even more dramatically by 134% (**Figure 1**).
- During the “jobless recovery” of the 1990s recession as well, long-term unemployment remained high well after the official end of the recession. The average length of unemployment did not peak until May 1994, four years after the 1990s downturn began.
- As evidenced by **Figure 2**, long-term joblessness today—23 months after the recession began in March 2001—is moving along the same trajectory, even exceeding the number per month who were long-term jobless for most of the comparable period after the 1990s recession began.

Today’s Long-Term Unemployment Extends into Most Segments of the Labor Force, Including Professional & College-Educated Workers

For the purposes of this analysis, the Economic Policy Institute and the National Employment Law Project examined the latest unemployment data that provide a picture of the impact of today’s long-term joblessness situation across all segments of the labor market. The figures present a compelling picture of the breadth and depth of today’s long-term unemployment compared with the pre-recession levels. (The analysis merges the monthly data to produce yearly averages).

Figure 3 illustrates the uncommonly broad character of today’s labor market slump, documenting the seven groups (out of the 28 available breakdowns) that have the highest proportion of the unemployed who have been looking for work over six months within the categories of age, education, occupation, and industry.

- In 2002, an average of 18.3% of all unemployed workers were still looking for work after six months. Long-term unemployment is most severe among those groups commonly affected by cyclical downturns and economic dislocation—those from the manufacturing sector, African-American workers and older workers (over 45).
- Within the category of age, those workers who are 45 and older had the highest proportion of the unemployed who were also long-term jobless (25.6%). African Americans have the highest rates of long-term joblessness (22.7%) when compared with other races.
- Within the category of industry, manufacturing workers are suffering from the highest proportions of long-term joblessness (24.5%). Moreover, the aftermath of the September 11th attacks is causing lingering unemployment among workers in sectors of transportation (23.2%) and wholesale trade (including intermediate sellers such as import/export businesses and distributors) (24.3%).
- College graduates, executives and professionals, groups not normally associated with severe economic hardship, also show higher than average proportions of long-term unemployment. Compared with other educational levels, a greater share of jobless college graduates are experiencing

long-term unemployment (22.7%). As compared to other occupational groups, executives and professionals (22.8%) are the most likely to suffer from long-term joblessness.

Figure 4 documents those groups that have experienced the most dramatic increases in long-term unemployment looking back over the last two years. Consistent with Figure 3, it illustrates how long-term unemployment has increased across the labor market.

- From 2000 to 2002, long-term unemployment in the United States increased by 135%. Figure 4 shows the seven groups of workers (out of the 28 available breakdowns) who experienced the greatest increases within their respective categories of occupation, industry, age and race compared to the national average. Especially large increases are found among racial, educational and occupational sub-groups normally considered to have the most advantageous positions within the labor market.
- Within occupation, executives and professionals experienced the greatest increase of any other subgroup, with long-term joblessness increasing by 233.5% from 2000 to 2002.
- Within education levels, college graduates experienced the greatest increase in long-term unemployment from 2000 to 2002 (202.6%), while those workers with some education beyond high school also experienced a significant increase of 183.7%.
- Long-term unemployment among white workers increased by 177.1% since 2000, growing more significantly than minority racial groups.
- The workers in those industries hardest hit by the increase in long-term joblessness include wholesale trade (206%), transportation (197.2%) as well as manufacturing (177.3%).

Millions of Unemployed Workers Run Out of All Federal Extended Benefits

On January 9th, the President continued the federal extension of unemployment benefits, the Temporary Extended Unemployment Compensation (TEUC) program, until May 31, 2003. Despite the growing numbers of long-term jobless, the legislation did not provide any extended benefits beyond the 13 weeks available under the original law enacted in March 2002. As a result, millions of workers have already run out of unemployment benefits, and about a million more are expected to by June when the federal program expires. The magnitude of the problem evidences the urgent need to provide additional weeks of extended benefits to the long-term unemployed, beyond the minimum 13 weeks now available.

- Ten months into the TEUC program (as of December 2002), 2.25 million workers ran out of their 13 weeks of federal extended benefits. According to the Center on Budget & Policy Priorities, an estimated one million of these workers exhausted their extended benefits without ever finding additional work as of January 1, 2003.
- According to recent estimates (**Table 1**) prepared by the Center on Budget & Policy Priorities, between 920,000 and one million more workers will run out of TEUC benefits between January and the end of May 2003 without finding work by then. More than 400,000 (40%) of these new workers

reside in the ten states that are experiencing the nation's highest unemployment rates where there is the greatest competition for limited job opportunities.

Jobless Workers are Exhausting State Unemployment Benefits at Record Levels

At the same time that these workers are reaching the end of their federal extended benefits, a greater share of workers are now reaching the end of their state unemployment benefits than at any time since the data was first collected in 1971. As a result, the evidence strongly supports proposals to also extend the deadline of the TEUC program well beyond May 31st.

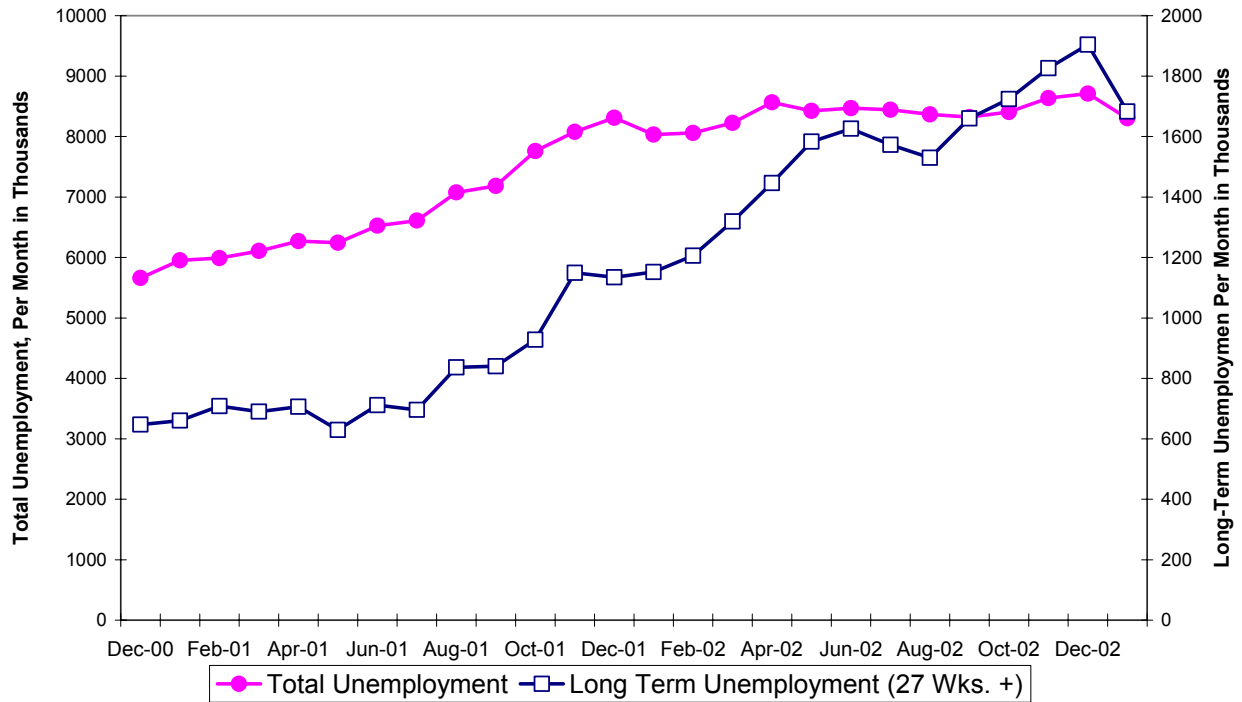
- December 2002, 371,991 workers exhausted their regular state unemployment benefits, which provide up to 26 weeks of income support. This marked the 12th consecutive month with over 300,000 regular state UI exhaustions.
- The last time that exhaustions of state unemployment benefits remained above 300,000 for 12 straight months was during the prior recession, starting April 1991. Significantly, the number remained above or just slightly below 300,000 for another 12 months after that point, thus lasting until April 1993.
- As of December 2002, 42.5% of all workers who collected state unemployment benefits also exhausted their state benefits. That is a higher rate than at any time since the data was first collected in 1971. The rate has increased steadily during the past year (it stood at 34.1% in December 2001).

Conclusion

The crisis of long-term unemployment is far from over, now extending to nearly all categories of workers as illustrated above. All the evidence strongly suggests that the percent of the unemployed looking for work more than six months will remain at the high levels for at least another year. Despite the magnitude of the problem, current federal policies have provided extremely limited relief to the nation's unemployed workers.

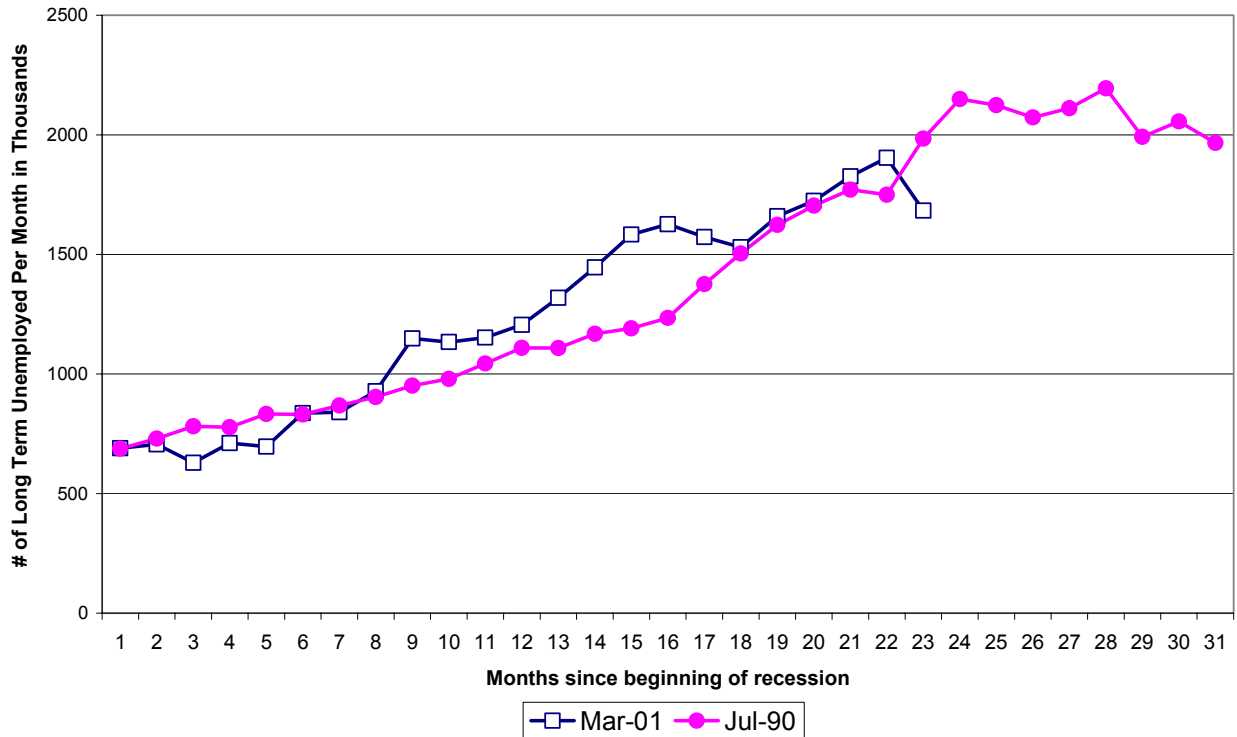
Most importantly, federal policy makers should immediately take up legislation to provide additional weeks of extended benefits to hundreds of thousands of workers who remain unemployed after collecting just 13 weeks of federal extended benefits. Moreover, in only three months, even the limited 13 weeks of federal extended benefits are scheduled to expire. Rather than delay the debate over the federal extension, thus threatening to cut-off benefits for thousands of workers prematurely as occurred in December 2002, federal policy makers should also take up legislation to extend the TEUC program beyond the end of May.

Figure 1 Growth in Total Unemployment and Long-Term Unemployment 2000-2002



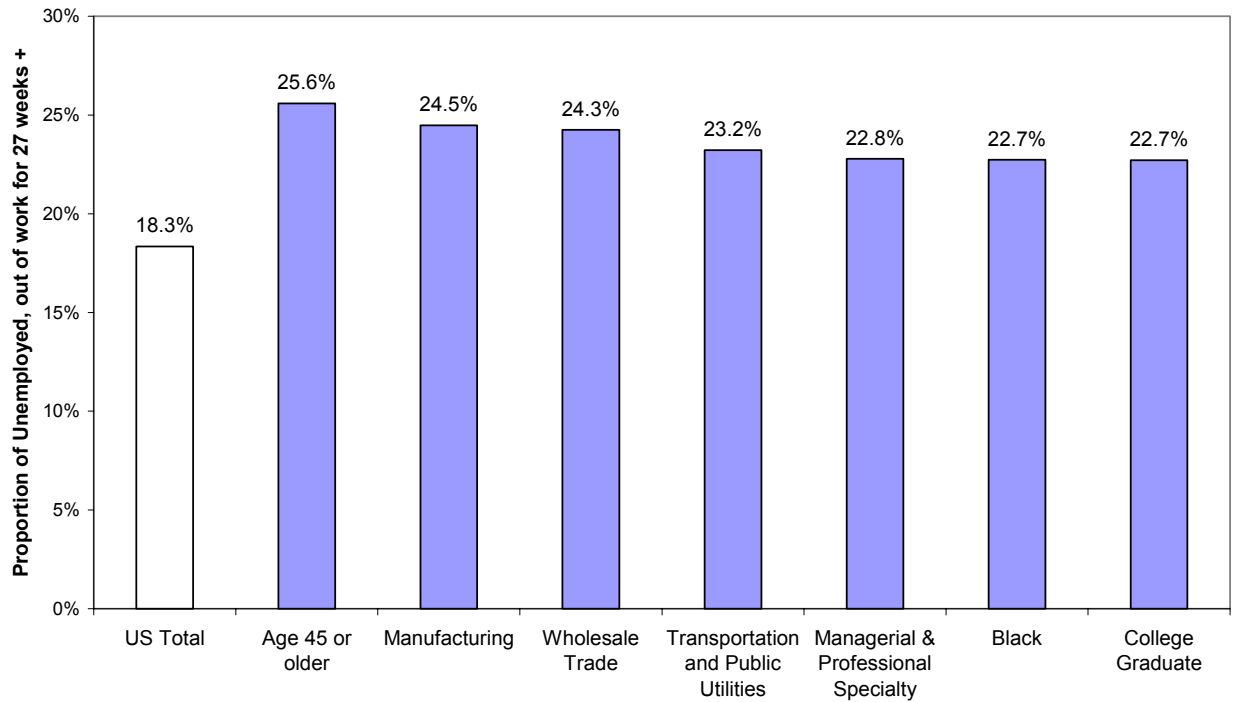
Source: Bureau of Labor Statistics

Figure 2 Growth in Long-Term Unemployment Post Recession



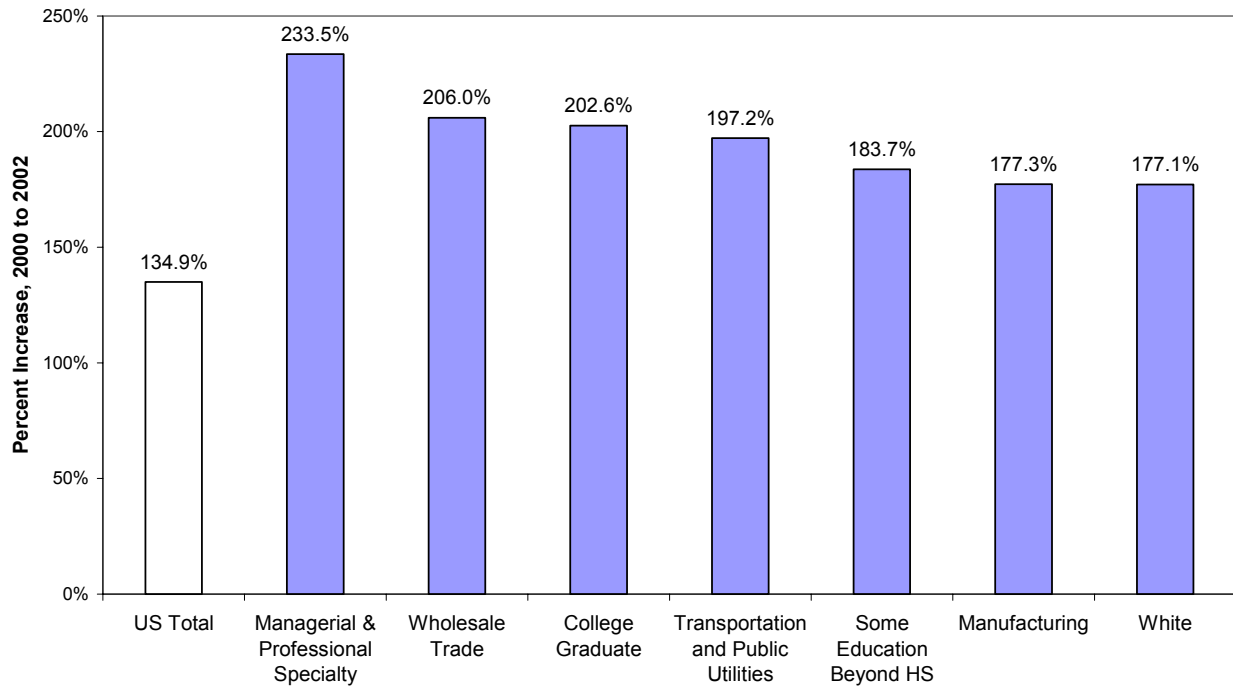
Source: Bureau of Labor Statistics

Figure 3 Unemployed Subgroups with Highest Incidence of Long-Term Unemployment 2002



Source: Economic Policy Institute Analysis of Current Population Survey

Figure 4 Unemployed Subgroups with Greatest Increases in Long-term Unemployment 2000-2002



Source: Economic Policy Institute Analysis of Current Population Survey

Table 1 - Predicted Exhaustions of TEUC (Federal Extended) Benefits, January-May 2003

USA*	1,024,200-921,700	Missouri	18,100
Alabama	11,400	Montana	2,100
Alaska^	3,700	Nebraska	3,800
Arizona	7,500	Nevada	4,700
Arkansas	6,100	New Hampshire	1,400
California^	149,400	New Jersey	60,100
Colorado	16,500	New Mexico	3,200
Connecticut	13,500	New York^	122,700
Delaware	2,300	North Carolina^	24,700
District of Columbia^	1,900	North Dakota	1,800
Florida	53,500	Ohio	30,800
Georgia	34,700	Oklahoma	7,900
Hawaii	1,600	Oregon^	14,600
Idaho	5,900	Pennsylvania	18,000
Illinois^	51,300	Rhode Island	3,800
Indiana	17,900	South Carolina	13,100
Iowa	8,000	South Dakota	300
Kansas	8,200	Tennessee	21,000
Kentucky	11,400	Texas	80,200
Louisiana^	8,800	Utah	6,600
Maine	2,500	Vermont	1,300
Maryland	12,200	Virginia	16,500
Massachusetts	39,300	Washington^	19,600
Michigan	41,400	West Virginia	2,100
Minnesota	15,900	Wisconsin	10,100
Mississippi^	9,300	Wyoming	1,500

* Note: State numbers reflect TEUC status as of 1/31/2003, and assume that states that currently qualify to provide TEUC benefits will continue to do so through the end of May and that states that do not currently qualify will not trigger on before the end of May. National number reflect a range because the total number of TEUC exhaustions because some additional states may qualify for the second tier of TEUC benefits and therefore have fewer exhaustions than predicted.

Source: Center on Budget and Policy Priorities, www.cbpp.org, based on data from U.S. Department of Labor, Office of Workforce Security

^ States with the top 10 unemployment rates in the nation

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